

Message Text

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11

ACTION EUR-25

INFO OCT-01 ISO-00 PM-07 L-03 NSC-07 CIAE-00 DODE-00

INR-10 NSAE-00 PA-04 RSC-01 USIA-15 PRS-01 SP-03

NIC-01 SAJ-01 EB-11 FEA-02 TRSE-00 OMB-01 SAM-01

SCI-06 AEC-11 FPC-01 XMB-07 STR-08 DRC-01 /128 W

----- 023466

R 221237Z MAY 74

FM AMCONSUL ZAGREB

TO SECSTATE WASHDC 2465

INFO AMEMBASSY BELGRADE

AMEMBASSY ROME

USDOC WASHDC

USIA WASHDC

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COMMERCE FOR MAJOR PROJECTS DIVISION

E.O. 11652: N/A

TAGS: EFIN, ENGR, ETRD, SENV, YO, XF

SUBJECT: MAJOR PROJECTS: KOPER REFINERY

REF: A. ZAGREB 0344; B. ZAGREB A-11, 2/16/73

SUMMARY: KEY OFFICIALS AT SERMIN ENTERPRISE KOPER VERY INTERESTED
POSSIBILITY US "TURNKEY" PROPOSAL FOR AT LEAST 5-MILLION-TON
REFINERY, COST OVER \$100 MILLION. OFFICIALS CLAIM THAT NATIONAL
OIL COMPANY OF AN OIL PRODUCER COUNTRY WILL SOON SIGN AGREEMENT
TO PARTICIPATE AS JOINT-VENTURE PARTNER. SERMIN MAY ALSO
SEEK INTERNATIONAL CREDITS FROM IBRD, IFC AND EXIM AS WELL
EXPLORING FINANCING FROM OTHER FOREIGN SOURCES. US FIRM
ARTHUR J. MCKEE THROUGH ITALIAN SUBSIDIARY CTIP (ROME)
ACTING AS CONSULTANTS ON SPECIAL FEASIBILITY STUDY. SERMIN
COMMERCIAL MANAGER MARJAN STARC, WHO PLANNING ATTEND INTER-
NATIONAL MARKETING SEMINAR AT HARVARD THIS SUMMER, WOULD WELCOME
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OPPORTUNITY MEET WITH KEY US FIRMS WHICH MAJOR PROJECTS DIVISION

REQUESTED TO ALERT TO PROJECT. END SUMMARY

1. SERMIN GENERAL DIRECTOR DANILO PETRINJA TOLD CONGEN OFFICER IN KOPER MAY 15 THAT REFINERY/PETROCHEMICALS PLANS DEFINITELY MOVING AHEAD AFFIRMING THAT PROJECT EVEN HAS PERSONAL SUPPORT "OUR PRESIDENT." DEFINITE AGREEMENT WITH A CRUDE-OIL PRODUCER (PETRINJA AND COLLEAGUES WOULD NOT IDENTIFY WHICH) EXPECTED "NO LATER THAN JULY" TO PROVIDE FOR JOINT-VENTURE FINANCING.

2. FOLLOWING SIGNATURE JOINT-VENTURE CONTRACT AND COMPLETION SPECIAL FEASIBILITY STUDY (BEING PREPARED BY ZAGREB CONSULTING FIRM "INDUSTROPROJEKT" IN COOPERATION WITH US FIRM ARTHUR J. MCKEE'S ITALIAN SUBSIDIARY CTIP), SERMIN EXPECTS ISSUE FIRST TENDER DOCUMENTS. PROMISED TO INFORM CONGEN AS WELL ANY AMERICAN FIRMS WHICH HAVE REGISTERED THEIR INTEREST WITH SERMIN.

3. PETRINJA CONFIRMED THAT REFINERY WILL BE AT LEAST FIVE-MILLION-TON CAPACITY AND MAY INCLUDE PETROCHEMICAL ITEMS SUCH AS CRACKING UNIT, VACUUM DISTILLATION, AROMATIC STREAM PRODUCTION XYLENE, AND ASPHALT PRODUCTION. POSSIBLE COST \$100-\$160 MILLION.

4. SERMIN DEFINITELY PLANS SEEK "TURNKEY" CONTRACTOR WHO WOULD BE EXPECTED INCLUDE YUGOSLAV SUBCONTRACTORS TO EXTENT POSSIBLE. PETRINJA AND HIS COLLEAGUES REACTED VERY RECEPTIVELY TO CONGEN OFFICER'S DESCRIPTION US FIRMS' EXPERIENCE AND CAPACITIES THIS AREA WHILE NOTING THAT VIEWS OF PARTNER WOULD ALSO HAVE TO BE CONSIDERED. WE HAVE PROVIDED SERMIN WITH ADDRESSES FROM "NATIONAL CONSTRUCTOR'S ASSOCIATION DIRECTORY," SINCE PETRINJA MADE CLEAR THAT SERMIN WISHED BE ABLE CHOOSE FROM WIDEST POSSIBLE SELECTION.

5. DISCUSSION REVEALED THAT ENVIRONMENTAL CONSIDERATIONS IMPORTANT IN VIEW LARGE TOURISM INVESTMENTS NEARBY. THIS CONNECTION, PETRINJA NOTED THAT KOPER HAD ALREADY SENT TEAM OF EXPERTS TO US WHO HAD COME BACK CONVINCED THAT RELATIVELY CLEAN REFINERY POSSIBLE. ENVIRONMENTAL IMPACT STUDY REPORTEDLY BEING PREPARED BY SLOVENIAN SCIENTIST DR. JOZE STIRN, WHO HAS WORKED ON PROJECTS FINANCED BY US EXCESS CURRENCY PROGRAM.

6. IN AFTERMATH OUR CALL IN KOPER, SERMIN COMMERCIAL MANAGER LIMITED OFFICIAL USE

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MARJAN STARC (WHO HAD BEEN AWAY NEGOTIATING IN MIDDLE EAST) CALLED AT CONSULATE GENERAL MAY 20. STARC, VERY ALERT, YOUNG (32) MANAGER, SAID THAT ME PARTNER MAY PUSH FOR EVEN LARGER REFINERY IN 7-10-MILLION-TON RANGE.

7. STARC INQUIRED GENERALLY ABOUT EXIM FINANCING, NOTED SERMIN APPLYING IBRD. STARC ALSO STATED THAT "WORLD TRADE AND CONSULTING CORPORATION" OF BOSTON HAD MADE \$100-MILLION

FINANCING OFFER FOR PROJECT VIA LJUBLJANSKA BANKA. FINANCING FOR PETROCHEMICALS DEVELOPMENT MIGHT ALSO COME FROM JOHANANOFF GROUP OF AMSTERDAM WHICH REPORTEDLY SO PLEASED WITH ITS JOINT-VENTURE TERMINAL OPERATION (MAINLY US SOURCE CHEMICALS--SEE REF B) THAT IT PLANS DOUBLE STORAGE CAPACITY. SERMIN MIGHT ALSO SEEK FINANCING FROM INTERNATIONAL OIL COMPANIES REPAYABLE IN PRODUCT DELIVERIES.

8. STARC, WHO ALSO MET WITH BPAO, INFORMED US OF HIS PERSONAL PLAN TO ATTEND THIS YEAR'S HARVARD'S ANNUAL INTERNATIONAL MARKETING INSTITUTE SUMMER PROGRAM IN MARKETING MANAGEMENT ON PARTIAL STIPEND FROM SLOVENIAN GOVERNMENT RESEARCH COMMUNITY. POST AND EMBASSY EXPLORING POSSIBILITY ASSIST STARC WITH FINANCING SHORTFALL THROUGH EXCHANGE VISITOR PROGRAM TO HELP HIM AVERT OUT-OF-POCKET COSTS. HE PLANS ARRIVE BOSTON JUNE 24 AND STAY IN US UNTIL EARLY SEPTEMBER AND WOULD WELCOME OPPORTUNITY DISCUSS PROJECT WITH US FIRMS.

9. COMMENT: KOPER PROJECT SEEMS TO BE MAKING PROGRESS AND COULD ACCELERATE INTO HIGH GEAR IF FIRM COMMITMENT FOR OIL PRODUCER FINANCING OBTAINED. SERMIN IMPRESSES US AS VERY DETERMINED ENTERPRISE. US FIRMS WISHING ESTABLISH CONTACT MAY WRITE GENERAL DIRECTOR DANILO PETRINJA, "SERMIN", VOJKOVO NABREZJE 32, KOPER, YUGOSLAVIA; TELEX: YU INROPA 34-140. DECONTROL UPON RECEIPT. WILSON

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